

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7229

BILL NUMBER: SB 570

DATE PREPARED: Jan 13, 1999

BILL AMENDED:

SUBJECT: Child care tax credits for businesses.

FISCAL ANALYST: Diane Powers

PHONE NUMBER: 232-9853

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a state tax credit to an employer who operates or contracts for a child care program for employees. The bill allows a 40% credit for capital expenditures made on buildings and equipment for a child care program.

Effective Date: January 1, 2000.

Explanation of State Expenditures: This bill will increase the administrative expenses of the Department of Revenue to revise and create new tax forms, instructions and computer programs to accommodate this new tax credit. Taxpayers are required to submit an application for this credit on a separate form designed by the Department.

Explanation of State Revenues: This bill will provide a tax credit to employers who makes capital expenditures for an employee child care center. These credits must be for a child care program, of which at least 50% must be children of employees, is operated by or contracted with one or more employers and is licensed by the Division of Family and Children. The tax credit is equal to the lesser of \$20,000 or 40% of the capital program expenditures. Child care program capital expenditures are defined to include expenses for plans, acquisition, construction, reconstruction, renovation or rehabilitation of depreciable property located in Indiana.

The tax credit may be applied to the employer's gross income, adjusted gross income, supplemental net income tax liability, financial institutions tax and insurance premiums tax. If the tax credit exceeds the taxpayer's liability, the credit may be carried forward to the next three taxable years. If a pass through entity does not have a state tax liability, they may apply this credit in proportion to the percentage of the entity's distributive income to which the shareholder is entitled.

According to the Family and Social Services Administration, there were 15 employer operated child care

centers which were licenced in 1998 and more in the development process. It is not known how many of these would have capital expenditures which would qualify under this new credit. If this tax credit provides an incentive for these current employers and some indeterminable number of other employers to make capital expenditures for an employee child care program, there would be a reduction in income tax revenue by a maximum of \$20,000 per taxpayer. If 25 employers per year qualified for the maximum amount of this tax credit, there would be a annual reduction of approximately \$500,000 in tax revenue.

The tax credit applies to taxable years beginning after December 31, 1999 and will affect income tax revenue collections beginning in FY 2001. Income tax revenue is deposited in the state General Fund and the Property Tax Relief Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration; Department of Revenue.

Local Agencies Affected:

Information Sources: Family and Social Services Administration.